

# TORONTO STOCK EXCHANGE

FILING STATEMENT No. 528.  
ACCEPTED FOR FILING, JANUARY 5th, 1961.

## THE TEXSTAR CORPORATION

Full corporate name of Company  
Incorporated under the laws of the State of Delaware,  
U. S. A., on April 15, 1959

Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953  
(Ontario) by Letters Patent dated May 1st, 1957).

Reference is made to previous  
Filing Statement No. 417.

## FILING STATEMENT

(To be filed with respect to any material change in a company's affairs, including among other things, an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.	(a) Acquisition of 61,500 shares of the capital stock of Hartford International Corporation; and (b) Acquisition of all of the assets of Desert Ceramic Corporation.  (See details Schedule 'B' on page <u>three</u> )
2. Head office address and any other office address.	2000 National Bank of Commerce Building San Antonio, Texas
3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	See Schedule 'A' on page <u>two</u> .
4. Share capitalization showing authorized and issued and outstanding capital.	Common Stock (par 10¢); 10,000,000 shares authorized by charter; 6,204,310 shares issued and outstanding. Preferred Stock (par \$10); 1,000,000 shares authorized by charter; none issued and outstanding.
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	The applicant and its consolidated subsidiaries have a funded debt of \$1,192,361 as of September 30, 1960, represented principally by promissory notes and debentures as more fully described in the financial statements submitted herewith.
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	(a) A total of 132,454 shares of the authorized and unissued Common Stock of the Applicant is authorized for issuance in exchange for 61,500 shares of the outstanding capital stock of Hartford International Corporation. (b) A total of 75,000 shares of the authorized and unissued Common Stock of the Applicant is authorized for issuance in exchange for all of the assets of Desert Ceramic Corporation.  (See further details in Schedule 'B' on page <u>three</u> .)
7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	See description of employee stock option in Filing Statement No. 417, February 4, 1960.
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	None
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	The Applicant proposes, upon acquisition of the assets of Desert Ceramic Corporation, to further develop and operate its facilities as a part of the ceramic tile business of the Applicant. The Applicant's future development plans include participation in a joint venture program for the acquisition and development of oil and gas properties.



SCHEDULE 'A'

<u>Name and Office</u>	<u>Address</u>	<u>Occupation</u>
Richard C. Cowell Director	850 Park Avenue New York, New York	Oil operations and exploration
Julius Fleischmann Director	4001 Carew Tower Cincinnati, Ohio	Director, Board of Directors Standard Brands, Inc.
Lewis J. Moorman, Jr. Director and Chairman of Operating Committee	530 Elizabeth Road San Antonio, Texas	Oil and ranching operations and investments; Director of various predecessors of Texstar
Charles S. Payson Chairman of Board of Directors	261 Madison Avenue New York, New York	Chairman of the Board of Vitro Corporation; Director and Member of the Executive Committee of Armco Steel Corporation
John B. Porter Vice President	105 Sequoia San Antonio, Texas	President of Lift Slab Companies
Forrest L. Ledlow Vice President	206 Wisteria San Antonio, Texas	President of Aztec Ceramics, Inc.
William T. Rhame President and Director	411 Arcadia Place San Antonio, Texas	President of Texstar Corporation (a predecessor)
Charles F. Schwab Director, Secretary and Treasurer	130 Wyndale San Antonio, Texas	Financial advisor to Tom Slick and other members of the Slick family; employee of Southwest Research Institute
Tom Slick Director and Chairman of the Executive Committee	400 Devine Road San Antonio, Texas	Oil and ranching operations and investments; Director of various predecessors of Texstar; Trustee of Southwest Foundation for Research and Education and of Southwest Research Institute
Walter Seligman Director	720 Fifth Avenue New York, New York	Retained consultant of The Texstar Corporation and former Director and President of Texas Calgary Company
W. I. Spitler Vice President	3600 Brighton Fort Worth, Texas	President of Air Accessories, Inc., a predecessor corporation
T. Reed Vreeland Director and Vice President	261 Madison Avenue New York, New York	President of Hartford International Corporation; President of International Bank of Washington, D. C. 1954-1956
Robert V. West, Jr. Director and Vice President	2643 Friar Tuck San Antonio, Texas	President of Slick Secondary Recovery Corporation (a predecessor) 1956-1959; employed by Slick-Moorman Oil Company as Petroleum Engineer 1954-1956
Fred H. Garcelon Vice President	237 Lancaster Avenue Devon, Pennsylvania	Executive with C. B. S. Manufacturing Division; Executive Vice President of Electronics, Inc.
V. J. Fuller Assistant Treasurer	635 Nottingham San Antonio, Texas	Certified Public Accountant with Peat, Marwick, Mitchell & Co.
M. J. Watson Assistant Secretary and Assistant Treasurer	119 Beal Street San Antonio, Texas	Controller and Assistant Treasurer Southwest Research Institute



132,454 additional shares of its Common Stock, par value 10¢ per share, upon official notice of issuance thereof, in exchange for 61,500 shares of the outstanding capital stock of Hartford International Corporation, held by the stockholders of such corporation;

75,000 additional shares of its Common Stock, par value 10¢ per share, upon official notice of issuance thereof, in exchange for all of the assets of Desert Ceramic Corporation under the terms of an Agreement entered into as of December 19, 1960, between the Applicant and Desert Ceramic Corporation as hereinafter described;

207,454 shares of said Common Stock;

making the total number of shares of said Common Stock, the listing of which is herein or has heretofore been applied for, equal 6,856,037 shares (of a total of 10,000,000 shares of said Common Stock authorized).

All of the shares of Common Stock, the listing of which is herein applied for have been duly authorized, and when issued as stated herein, will be validly issued, fully paid and non-assessable, and no personal liability will attach to the ownership thereof.

#### Hartford Stock Acquisition

At a special meeting of the Board of Directors of the Applicant held on September 26, 1960, a resolution was duly adopted authorizing the acquisition of 41,000 shares of Class A Common Stock of Hartford International Corporation (hereinafter referred to as "Hartford") owned by Charles S. Payson, T. Reed Vreeland, Julius Fleischmann and Louise F. Tate and 20,500 shares of Class B Common Stock of such corporation owned by T. Reed Vreeland in exchange for 132,454 shares of the Common Stock of the Applicant and \$15,000 in cash. The outstanding stock of Hartford is owned 40% by the Applicant (27,333 shares of Class A Common Stock and 13,667 shares of Class B Common Stock) and 60% (the amounts specified above) by the above named shareholders whose interests are being acquired in this transaction.

The stock interests of the above named shareholders of Hartford are being acquired by the Applicant in an arm's-length transaction between the Applicant and each of said shareholders, pursuant to a Stock Purchase Agreement dated as of September 30, 1960. Inasmuch as the Applicant already owns a 40% interest in Hartford, the determination to acquire the remaining 60% interest was based upon information available to the Board of Directors of the Applicant by virtue of its existing stock ownership.

Charles S. Payson is Chairman of the Board of Directors of the Applicant, and a Director of Hartford. T. Reed Vreeland is a Vice President and a Director of the Applicant and is also the President and a Director of Hartford. Julius Fleischmann is a Director of the Applicant and a Director of Hartford.

Hartford, a Liberian corporation, is engaged in international financing including principally the financing of the movement of grain and other goods from South America to Europe, investments in resort and merchandising facilities on the Canadian border, and in equipment leasing in foreign countries.

#### Assets of Desert Ceramic Corporation

At a special meeting of the Executive Committee of the Board of Directors of the Applicant held December 17, 1960, a resolution was duly adopted authorizing the officers of the Applicant to enter into an agreement with Desert Ceramic Corporation providing for the acquisition by the Applicant of all of the assets of Desert Ceramic Corporation in exchange for the assumption by the Applicant of all of the liabilities of Desert Ceramic Corporation and the issuance to Desert Ceramic Corporation of 75,000 shares of the Common Stock of the Applicant together with such other terms and conditions as might be deemed necessary or advisable by the officer executing the Agreement on behalf of the Applicant.

Desert Ceramic Corporation was incorporated under the laws of the State of New Mexico on January 30, 1956. Its principal offices and facilities are located in Albuquerque, New Mexico. Desert Ceramic Corporation has been engaged since its incorporation in the business of manufacturing and marketing various types of ceramic tile for commercial use. For several years it has served the markets for ceramic tile in New Mexico and adjoining states.

The assets of Desert Ceramic Corporation are to be acquired by the Applicant under the terms of said Agreement from Desert Ceramic Corporation, which holds no relationship to the Applicant. Neither the Applicant nor any of its officers or directors own or control any of the outstanding stock of Desert Ceramic Corporation. The assets of Desert Ceramic Corporation are being acquired in an arm's-length transaction between the Applicant and Desert Ceramic Corporation based upon the financial statements of Desert Ceramic Corporation submitted herewith and upon examination and inspection of the records, facilities and properties of Desert Ceramic Corporation by various officers and directors of the Applicant.



# FINANCIAL STATEMENTS

## THE TENSTAR CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheet

September 30, 1960

### ASSETS

#### Current assets:

Cash  
Notes and accounts receivable,  
less allowances  
Inventories, at lower of cost  
or market  
Other current assets

#### Total current assets

Cash, restricted for purchase of fixed assets

Investments and noncurrent receivables

Notes receivable from stockholders

Securities of affiliates

Other, at cost less allowances

Property, plant and equipment, at cost,

partly pledged:

Producing oil and gas properties

Undeveloped oil and gas properties

Refinery and equipment

Terminal facilities

Ranch facilities and livestock

Manufacturing facilities

Other

Less allowances

Goodwill, at cost

Research and development costs, patents,

and other deferred charges, at cost

### LIABILITIES

#### Current liabilities:

Notes payable:

Current portion of long-term debt (Note 2)

Other - secured

Accounts payable and accrued liabilities

Federal and state income taxes - estimated

Total current liabilities

Estimated future expenses to produce oil

assigned to liquidate production payments sold

Long-term debts, less current portion thereof:

Mortgage notes payable (Note 2)

Subordinated debentures and deferred

accrued interest (Note 2)

5% subordinated note payable to affiliate,

due January 8, 1967

Other

Total liabilities

Equity of minority stockholders in subsidiaries

Stockholders' equity:

Preferred stock of \$10 per value per share.

Authorized 1,000,000 shares; none issued.

Common stock of \$10 per value per share.

Authorized 10,000,000 shares; issued and

outstanding 5,928,082 shares net of

276,228 in treasury (Note 3)

Capital surplus

Common stock, 132,454 shares authorized for

issuance of stock for Hartford Interna-

tional Corporation (Note 1)

Retained earnings (deficit)

\$ 194,621  
955,345  
1,058,967  
122,583  
2,331,521

649,504

\$ 612,992  
340,756  
120,000  
118,613

1,192,361

3,973,386

878

4,741,258

236,146

849,122

\$ 11,167,856

7,193,592

11,167,856

See accompanying notes to financial statements.



THE TEXSTAR CORPORATION AND CONSOLIDATED SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
September 30, 1960

(1) PRINCIPLES OF CONSOLIDATION

In accordance with an agreement dated as of September 30, 1960, the Company has agreed to purchase stock representing the remaining 60% interest in its affiliate, Hartford International Corporation, for \$15,000 plus 132,454 shares of common stock of the Company. The consolidated financial statements of the Company include the financial statements of all subsidiaries owned at September 30, 1960, but do not include those of Hartford International Corporation. Inter-company accounts and profits have been eliminated.

(2) LONG-TERM NOTES AND DEBENTURES PAYABLE

Mortgage notes payable consist of a 5-1/4% note in the amount of \$475,000 secured by ranch land and other real property due in annual installments of \$25,000 and a 6% note in the amount of \$180,960 secured by the terminal facilities and by an assignment of rent received under a United States Government contract. Since the 6% note is to be paid out of rent received, only that portion of the debt equal to the earnings for September 1960, \$17,968, has been classified as a current liability.

The subordinated debentures consist of 5% debentures due in December 1960 and 1961 plus deferred interest, aggregating \$278,526, of which \$137,770 is payable within one year, and 6% convertible debentures due July 1, 1963 in the amount of \$200,000 which are convertible into 54,000 shares of common stock of the Company.

(3) STOCK OPTIONS

There are 412,880 shares of the Company's stock reserved for issuance under employee restricted stock option plans at option prices ranging from \$.97 to \$2.69 per share, 83,842 shares of which were exercisable at September 30, 1960 for amounts aggregating \$147,746.

(4) PRODUCTION PAYMENTS

The unliquidated balances of production payments sold in the current and prior periods aggregating \$1,444,682 at September 30, 1960. Proceeds from production applied to the reduction of such production payments plus interest thereon amounted to \$180,369 during the six-month period ended September 30, 1960, which amount has not been included in earnings.

(5) FEDERAL INCOME TAXES

Due to the fact that the Company and its subsidiaries file consolidated Federal income tax returns and have availed themselves of tax losses from prior periods and other deductions from income allowable for Federal income tax purposes in excess of those shown in the statement of earnings, no provision for Federal income taxes is necessary for the period ended September 30, 1960. Operating losses of the Parent Company available to carry-forward to future periods are estimated to be in excess of \$1,500,000. To the extent not utilized, approximately \$230,000 of this carry-forward loss will expire in the fiscal year 1961 and the remainder during the next four years.

**THE TEXSTAR CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
Statement of Consolidated Earnings  
Six months ended September 30, 1960

<b>Sales and other revenue:</b>		
Product sales		\$ 3,229,366
Oil and gas sales (Note 5)		202,121
Livestock sales		981,831
Other		<u>762,662</u>
		3,249,183
<b>Costs and other charges:</b>		
Cost of products sold and direct selling and general expenses	\$ 3,012,598	
Oil and gas production expenses	116,920	
Ranch cost of sales and expenses	715,473	
Other operating expenses	644,134	
General and administrative expenses	217,699	
Depreciation and depletion	293,291	
Interest and other expense	<u>112,154</u>	<u>3,117,369</u>
Net earnings		\$ <u>131,914</u>

**THE TEXSTAR CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
Statement of Consolidated Retained Earnings (Deficit)  
Six months ended September 30, 1960

Balance at March 31, 1960	\$ (1,277,275)
Net earnings for the period	<u>131,914</u>
Balance at September 30, 1960	\$ <u>(1,145,361)</u>

See accompanying notes to financial statements.

**THE TEXSTAR CORPORATION AND CONSOLIDATED SUBSIDIARIES**  
**FINANCIAL STATEMENTS**  
September 30, 1960

**CERTIFICATE OF TREASURER**

I, CHARLES F. SCHWAB, Treasurer of The Texstar Corporation hereby certify that the attached unaudited financial statements of said corporation as of and for the six months period ended September 30, 1960, are true and correct to the best of my knowledge and belief.

*Charles F. Schwab*

CHARLES F. SCHWAB

Treasurer of The Texstar Corporation

THE TEXSTAR CORPORATION

2000 National Bank of Commerce Building

San Antonio, Texas

December 23, 1960

Toronto Stock Exchange  
234 Bay Street  
Toronto 1, Ontario  
Canada

Re: Filing Statement of The Texstar Corporation

Gentlemen:

The undersigned Directors of The Texstar Corporation certify that since September 30, 1960, the date of the balance sheet submitted with the captioned Filing Statement, there have been no material changes in the items reflected in the balance sheet.

*Charles F. Schwab*  
Director of The Texstar Corporation

*William D. [Signature]*  
Director of The Texstar Corporation

On Behalf of the Board of Directors



HARTFORD INTERNATIONAL CORPORATION  
Statement of Financial Condition  
September 30, 1960

## ASSETS

<u>CURRENT</u>		
Cash in banks	\$ 12,566.91	
Notes receivable - Schedule 1.	24,230.11	
Accounts receivable - Schedule 2.	18,967.87	
Marketable securities - Schedule 3 (Note A)	<u>261,166.61</u>	\$316,931.50
Deferred Notes Receivable - The Texstar Corporation		120,000.00
Investments - Unlisted Securities - Schedule 4.		254,048.38

OTHER

Contractual payments to Canadian and General Development Corporation	19,728.00	
Office equipment - Net	713.47	
Project expenses - Schedule 5.	<u>3,336.25</u>	<u>23,777.82</u>

TOTAL \$714,757.70

Note A. 10,000 shares of New Dickenson Mines, Ltd., pledged with The Canadian Bank of Commerce and reflected herein at a cost of \$25,284.86 were sold in October 1960 and yielded net proceeds of \$32,523.25.

## LIABILITIES AND CAPITAL

CURRENT LIABILITIES

Canadian Bank of Commerce Note payable (Secured by pledge of 10,000 shares New Dickenson Mines, Ltd.)	\$ 10,175.00	
Accounts payable - Schedule 6.	1,250.00	
Accrued expenses	<u>4,215.41</u>	\$ 15,640.41

LONG TERM DEBT

Subordinated Notes - 5% due January 8, 1967	300,000.00
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CAPITAL

Capital Stock		
Class "A" - \$1 par value-authorized	300,000 shares	
issued	68,333 shares	68,333.00
Class "B" - \$.10 par value-authorized	300,000 shares	
issued	34,167 shares	<u>3,416.70</u>
Total Capital Stock		71,749.70
Capital Surplus		389,312.20
Earned Surplus (Deficit) January 1, 1960	\$(38,291.22)	
Net Loss for the nine months ended September 30, 1960	<u>(23,653.39)</u>	<u>(61,944.61)</u>
		<u>\$99,117.29</u>

TOTAL \$714,757.70

Hartford International Corporation was contingently liable in the amount of \$6,250.00 under a Letter of Understanding dated September 26, 1960 in connection with a proposed organization of a corporation under the laws of Switzerland, such liability representing the obligation to pay in for 62 1/2 shares of the subscribed Common Stock of said corporation.

## HARTFORD INTERNATIONAL CORPORATION

## Statement of Financial Condition

September 30, 1960

Division of Personnel  
Certified Public Accountants

SCHEDULE 1 - NOTES RECEIVABLE

Walter Emmelmann	\$ 1,500.00
Hill Island, Ltd.	20,769.74
St. Lawrence Industrial Silica, Ltd.	457.87
Public Laundromat Corp.	775.00
Peoples Coin Laundromat Corp.	77.50
Grand Street Laundromat Corp.	<u>650.00</u>
	<u>\$24,230.11</u>

SCHEDULE 2 - ACCOUNTS RECEIVABLE

The Texstar Corporation	\$ 1,508.59
The Texstar Corporation re Anton Bopp	1,387.50
International Leasing Corporation	3,600.00
Border Trading Corporation	10,014.01
Sourburgh Company, Inc.	1,812.47
T. R. Vreeland	245.79
Reimbursable Expenses re Leasing Project	360.40
Sundry receivables	<u>39.11</u>
	<u>\$18,967.87</u>

### SCHEDULE 3. MARKETABLE SECURITIES - AT COST

The Texstar Corporation - 104,882 shares (market value \$150,767.)- at cost	\$235,881.75
New Dickenson Mines Ltd. 10,000 shares (Pledged with Canadian Bank of Commerce) (Market value \$ 29,500.)- at cost	<u>25,284.86</u>
	<u>\$261,166.61</u>

### SCHEDULE 4. INVESTMENTS - UNLISTED SECURITIES

Trans-American Mining Corp., Ltd. 200,000 shares - per appraisal	\$ 40,000.00
Hill Island, Ltd. - 7,537 shares per appraisal	162,802.50
Public Laundromat Corp. - 31 shares - at cost	775.00
Peoples Coin Laundromat Corp. - 10 shares - at cost	300.00
Grand Street Laundromat Corp. - 47 shares - at cost	470.00
St. Lawrence Industrial Silica, Ltd. 112,398 shares per appraisal	5,050.88
Canadian and General Development Corp. 185 shares per appraisal	16,650.00
Border Trading Corporation 140,000 shares at cost	<u>28,000.00</u>
	<u>\$254,048.38</u>

### SCHEDULE 5. PROJECT EXPENSES

International Leasing Project	\$3,186.82
Sundry Projects	<u>149.53</u>
	<u>\$3,336.35</u>

### SCHEDULE 6. ACCOUNTS PAYABLE

J. Fleischmann	\$ 250.00
L. F. Tate	250.00
C. S. Payson	<u>750.00</u>
	<u>\$1,250.00</u>

## HARTFORD INTERNATIONAL CORPORATION

### Statement of Operations

For the nine months ended September 30, 1960

### GROSS INCOME

La Consolidada Financing Operations - Net	\$ 196.29
De Ridder Financing Operations - Net	2,814.84
Interest Income	5,787.27
Management Fee - South West African Project	700.00
Profit on sale of securities	546.88
Dividend Income	<u>696.56</u>
Total Gross Income	<u>\$10,741.84</u>

### OPERATING EXPENSES

Interest on subordinated notes	11,250.00
Service charges	10,719.30
Rent	3,473.53
Stationery and supplies	237.02
Telephone, telegraph, postage and messenger	1,419.52
Subscriptions and publications	89.05
Provision for foreign exchange fluctuations	2,474.23
Travel and entertainment	2,812.23
Insurance	180.00
Accounting	1,185.00
General office expense	89.33
Sundry taxes	23.82
Resident Agent's Fee	250.00
Depreciation of office equipment	40.00
Interest - Canadian Bank of Commerce	<u>152.20</u>
	<u>34,395.23</u>

NET LOSS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1960

\$(23,653.39)



IRVING G. PURCELL  
CERTIFIED PUBLIC ACCOUNTANT  
67 WALL STREET  
NEW YORK 5, N. Y.  
BOWLING GREEN 9-2398

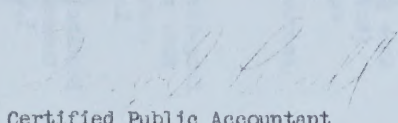
December 8, 1960

To the Board of Directors,

Hartford International Corporation

We have examined the Statement of Financial Condition of Hartford International Corporation as of September 30, 1960 and the related Statement of Operations for the nine month period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Statement of Financial Condition and Statement of Operations, present fairly the financial position of Hartford International Corporation at September 30, 1960 and the results of operation for the period then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

  
Certified Public Accountant

GEORGE J. NEFF & ASSOCIATES

GEORGE J. NEFF, C. P. A.  
EDWARD J. NEFF, C. P. A.  
GEORGE H. NEFF  
RICHARD A. NEFF, C. P. A.

PUBLIC ACCOUNTANTS  
112 AMHERST DR., S. E.  
ALBUQUERQUE, NEW MEXICO

NOB HILL BUSINESS CENTER  
TELEPHONE AL 5-8501 AL 5-8502

Board of Directors  
Desert Ceramic Corporation  
P. O. Box 4086  
Albuquerque, New Mexico

Gentlemen:

We have examined the balance sheet of Desert Ceramic Corporation as of November 30, 1960 and the related statements of income and retained earnings for the twelve months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and retained earnings present fairly the financial position of Desert Ceramic Corporation at November 30, 1960, and the results of its operations for the twelve months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

  
George J. Neff & Associates

Dated at Albuquerque, New Mexico  
December 29, 1960



BALANCE SHEET  
NOVEMBER 30, 1960

ASSETS

Current Assets:

Cash on hand  
Cash on deposit - Albuquerque National Bank  
Accounts receivable - trade  
Less: Allowance for doubtful accounts  
Advance to manager  
Inventories - at cost  
Prepaid insurance and other expenses

Total Current Assets

Property, plant, and equipment - at cost  
Less: Accumulated depreciation

Other Assets:

Formulas  
Less: Accumulated amortization  
Cost of obtaining S.P.A. loan  
Less: Accumulated amortization  
Organization costs  
Less: Accumulated amortization  
Meter and other deposits

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable - trade  
Accounts payable - stockholders  
Notes payable - officers - unsecured  
Note payable - Small Business Administration  
(Note A) secured by real estate and  
equipment  
Less: deferred amount shown below  
Accrued taxes and other expenses

Total Current Liabilities

Long-Term Obligations:

Note payable - Small Business Administration  
secured by real estate and equipment  
Less: current amount shown above

Stockholders' Equity:

Common stock - par value \$100.00 authorized  
5,000 shares, outstanding 2,186 shares

Retained earnings (deficit) - EXHIBIT "B"

334,052.22

Small Business Administration 72,194.65  
Albuquerque National Bank 24,064.81  
96,259.46

Note A - The note payable, Small Business Administration represents the balance due on the loans obtained from the Small Business Administration and the Albuquerque National Bank totaling \$120,000.00 dated April 8, 1958. The notes are secured by a real estate mortgage and chattel mortgage on equipment. The notes bear interest at the rate of 6% and are payable, including interest, at \$1,334.00 monthly. The amounts due, as confirmed by the Albuquerque National Bank as of November 30, 1960, are as follows:

Note B - On November 29, 1960 negotiations were entertained by the stockholders of Desert Ceramic Corporation whereby all of the assets of Desert Ceramic Corporation were to be sold to the Texstar Corporation, in return for 75,000 shares of the Texstar Corporation and the assumption by the latter of all of the liabilities of Desert Ceramic Corporation. Included in this plan was a further provision for the Dissolution of Desert Ceramic Corporation by the cancellation of all of its outstanding stock and the distribution of The Texstar Corporation stock to the stockholders on a pro-rata basis. The corporation's attorney indicated that the plan was still being negotiated at the date of our report.



DESERT CERAMIC CORPORATION  
ALBUQUERQUE, NEW MEXICO

EXHIBIT "B"

STATEMENT OF RETAINED EARNINGS  
FOR THE TWELVE MONTHS ENDED NOVEMBER 30, 1960

Retained earnings, December 1, 1959 (Deficit)	(40,850.56)
Add - Net income, current year's operation - <u>EXHIBIT "C"</u>	<u>15,113.41</u>
Retained earnings, November 30, 1960 - <u>EXHIBIT "A"</u>	<u>(25,737.15)</u>

DESERT CERAMIC CORPORATION  
ALBUQUERQUE, NEW MEXICO

EXHIBIT "C"

STATEMENT OF INCOME  
FOR THE TWELVE MONTHS ENDED NOVEMBER 30, 1960

Sales	275,025.15
Cost of sales, selling, administrative, and general expenses	248,692.03
Interest and other expenses	<u>10,911.27</u>
Net Income Before Provision For Income Taxes	15,421.85
Provision For State of New Mexico Income Taxes (Note A)	<u>308.44</u>
Net Income to Retained Earnings, <u>EXHIBIT "B"</u>	<u>15,113.41</u>

Note A.- Provision for state income tax only as an operating loss carry-forward will eliminate federal income tax liability.



10. Brief statement of company's chief development work during past year.	During the past year the chief development work of the Applicant has been: (a) Further development of its oil and gas properties through Texstar Petroleum Company, a Division of the Applicant; (b) Further development of its lift-slab building processes and its prestressed concrete through its Construction Division; (c) Further development of ceramic tile products through its subsidiary, Aztec Ceramics, Inc.		
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	(a) Charles S. Payson Julius Fleischmann Louise F. Tata T. Read Vreeland	261 Madison Avenue 4001 Carew Tower 4001 Carew Tower 261 Madison Avenue	New York, N. Y. Cincinnati, Ohio Cincinnati, Ohio New York, N. Y.
	132,454 shares of the Common Stock of the Applicant and \$15,000 cash.		
	(b) Desert Ceramic Corporation	1023 Simms Bldg.	Albuquerque, N. M.
	75,000 shares of the Common Stock of the Applicant.		
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	Only those persons listed in item 11 above. Desert Ceramic Corporation is not a limited company.		
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	None known to the Applicant.		
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	None known to the Applicant.		
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	Mr. Tom Slick, 400 Devine Rd. San Antonio, Tex. Mr. David G. Baird, 65 Broadway, New York, N. Y. Mr. Lewis J. Moorman, Jr., 530 Elizabeth, San Antonio, Texas Mr. Richard C. Cowell, 850 Park Ave., New York, N.Y. Mr. Earl F. Slick, 427 Reynolds Bldg., Winston-Salem, North Carolina		Shares 1,873,225 319,382 278,406 225,903 201,987
16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	Only those persons listed in item 15 above.		
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	Securities of affiliates:  Stock: Transworld Resources Corporation - 75,000 shares common stock, par value \$1 \$ 56,021  Hartford International Corporation - 68,333 shares of Class A stock, par value \$1 and 34,167 shares of Class B stock, par value \$.10 385,403  Notes and debentures receivable: Transworld Resources Corporation 299,287 Hartford International Corporation 120,000  Other miscellaneous stock 13,160		
18. Brief statement of any lawsuits pending or in process against company or its properties.	No lawsuits having a material effect upon the business and operations of the Applicant are in process or pending against the Applicant.		
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	None		
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	No other material facts. No shares are in the course of primary distribution to the public.		

**CERTIFICATE OF THE COMPANY**

DATED December 23, 1960

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"W.T. Rhame"

"G.F. Schwab"

CORPORATE  
SEAL

**CERTIFICATE OF UNDERWRITER OR OPTIONEE**

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)